

**MEMO**

To: Supervisor Aaron Peskin, District 3

CC: San Francisco Board of Supervisors

From: Chris Corgas, Senior Program Manager, OEWD

RE: Lower Polk Community Benefit District

Date: October 18, 2019

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This is a memo summarizing the performance of the Lower Polk Community Benefit District (LPCBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2017 and June 30, 2018.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Lower Polk CBD has complied with the submission of all these requirements. OEWD staff reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the Lower Polk Community Benefit District's management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2008.

Also attached to this memo are the following documents:

1. LPCBD Annual Report
  - a. FY 2017-2018
2. LPCBD Financial Statements
3. Draft resolution from the Office of Economic and Workforce Development



## **Background**

The Lower Polk Community Benefit District includes 307 property-based parcels.

- On July 29, 2014, the Board of Supervisors approved the resolution that established the property-based district called the Lower Polk Community Benefit District for 8 years (Resolution # 314-15).
- On July 28, 2015, the Board of Supervisors approved the contract for the administration and management of the Lower Polk Community Benefit District (Resolution # 297-15).
- On August 17, 2015, CBD received first assessment payment.
- On October 24, 2017, the Board of Supervisors approved the Annual Report for FY 2015-2016 (Resolution # 392-17).
- On November 13, 2018, the Board of Supervisors approved the Annual Report for FY 2016-2017 (Resolution # 401-18)

## **Basic Info about Lower Polk CBD**

Year Established	July 2014
Assessment Collection Period	FY 2014-15 to FY 2028-29 (July 1, 2014 to June 30, 2029)
Services Start and End Date	January 1, 2014 – December 31, 2029
Initial Estimated Annual Budget	\$799,093
Fiscal Year	July 1 – June 30
Executive Director	Christian Martin
Name of Nonprofit Owners' Association	Lower Polk Community Benefit District

The current CBD website, [www.lowerpolkcbd.com](http://www.lowerpolkcbd.com), includes all the pertinent information about the organization and their programs, meeting agendas, and their Management Plan.

## **Summary of Service Area Goals**

### **Cleaning, Maintenance, and Safety**

Cleaning, Maintenance, and Safety program area includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleaning, pressure washing, graffiti removal, tree maintenance, and weeding. LPCBD Management Plan calls for 57% of the budget to be spent in this service area.

### **Marketing, Streetscape Improvement, and Beautification**

Street Operations, Beautification and Order service area includes street maintenance and beautification. This service area calls for increased district marketing in order to create neighborhood identity and contribute to the economic vitality of the area. Additionally, this service area will support the district with



events meant to draw visitors to the Lower Polk neighborhood throughout the year. The LPCBD Management Plan calls for 11% of the budget to be spent on this service area.

### **Management and Operations**

The LPCBD Management Plan calls for 28% of the budget to be spent on management and operations. LPCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Lower Polk CBD. LPCBD board has seven (7) board members that represent the diverse property owners and businesses in the district. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees are posted to the website calendar and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

## **Summary of Accomplishments, Challenges, and Delivery of Service Areas**

### **FY 2017-2018**

#### **District Identity**

- Worked with gallery owners in the lower Polk to host Tenderloin Art Walk, a monthly community led event
- Worked closely with 6 local artists to design a huge mural in Hemlock alley to showcase the diversity of the city
- Built Macaulay Park website
- Planter boxes in Austin, Hemlock, Cedar, and Alice B. Toklas Alleys
- Fern and Austin Alley redesign projects
- Construction mitigation marketing team
- Worked with OEWD and Civic Edge to create a detailed brochure that highlights the activities and merchants in Lower Polk
- Brought the Polk Street Blues Festival back to Polk Street with the support of the neighborhood

#### **Street Operations, Beautification and Order (SOBO)**

- 2,828 instances of graffiti removed
- Over 106,500 lbs of trash removed from public rights of way
- Steam cleaned 22,548 feet of linear frontage
- Addressed 157 calls regarding cleaning
- Addressed 26 calls regarding public safety
- Continued to plan and implement a Streetscape Improvement Project for the entire Polk Street Corridor. When completed, the project will feature designated bike lanes, improved alleyways, and pedestrian safety improvements

#### **Administration, Organization and Corporate Operations**



- Ensured day-to-day success of programs
- Worked with City officials to address public right of way issues
- Applied for and received grant funding for the Lower Polk/Tenderloin Art Walk, Hemlock Mural Project, restroom services, and a tenant landlord clinic to help prevent homelessness

**LPCBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks for LPCBD:**

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Lower Polk Community Benefit District”, Section 3.4 - Annual Reports*)
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether LPCBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*)

**FY 2017-2018**

**BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan.

**ANALYSIS:** LPCBD met this requirement. See tables below. Note: The FY budget includes both general benefit and special assessment dollars. When separating the two the CBD’s variance percentage points did not change.

Service Category	Management Plan Budget	% of Budget	FY 2017-2018 Budget	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675.00	56.58%	\$637,075.00	58.49%	+1.92%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700.00	11.31%	\$118,212.00	10.85%	-0.46%



Management and Operations	\$240,900.00	28.47%	\$296,347.00	27.21%	-1.26%
Contingency/Reserves	\$30,774.54	3.64%	\$37,514.00	3.44%	-0.19%
<b>TOTAL</b>	<b>\$846,049.54</b>	<b>100.00%</b>	<b>\$1,089,148.00</b>	<b>100.00%</b>	

**BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue

**ANALYSIS:** LPCBD met this requirement. Assessment revenue was \$874,238.96 or 77.04% of actuals and non-assessment revenue was \$260,587.42 or 22.96% of actuals. See table below.

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 874,238.96	
<b>Total assessment revenue</b>	<b>\$ 874,238.96</b>	<b>77.04%</b>
Contributions/Sponsorships	\$1,500.00	0.13%
Grants	\$258,198.66	22.75%
Interest Earned	\$752.76	0.07%
Other	\$136.00	0.01%
<b>Total non-assessment revenue</b>	<b>\$260,587.42</b>	<b>22.96%</b>
Total	\$1,134,826.38	100%

**BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points

**ANALYSIS:** LPCBD met this requirement. When separating Special Assessment Dollars (SA) from General Benefit dollars the Lower Polk CBD did meet this requirement. Restricted dollars such as grant dollars often throw off CBD actual spending as they supplement what the CBD is providing to their community. OEWD was able to determine that special assessment dollars were spent with the required variance percentage points and thus did meet this benchmark. See table below.

Service Category	FY 2017-18 Total Budget	FY 2017-18 Special Assessment (SA) Budget	% of TOTAL BUDGET	% SA Budget	FY 2017-18 Actuals	% of Budget	% SA Budget	Variance % Points (TOTAL BUDGET)	Variance % Points (SA Budget)
Cleaning, Maintenance, and Safety	\$637,075	\$490,843	58.49%	58.49%	\$651,818	47.30%	58.49%	-11.19%	0.00%



Program									
Marketing, Streetscape Improvements, and Beautification Program	\$118,212	\$91,078	10.85%	10.85%	\$342,088	24.82%	10.85%	+13.97%	0.00%
Management and Operations	\$296,347	\$228,324	27.21%	27.21%	\$353,983	25.69%	27.21%	-1.52%	0.00%
Contingency/Reserves	\$37,514	\$28,903	3.44%	3.44%	\$30,112.00	2.19%	3.44%	-1.26%	0.00%
<b>TOTAL</b>	<b>\$1,089,148</b>	<b>\$839,148</b>	<b>100%</b>	<b>100%</b>	<b>\$1,378,001</b>	<b>100%</b>	<b>100%</b>		

**BENCHMARK 4:** Whether LPCBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

**ANALYSIS:** LPCBD met this requirement. *Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.*

<b>FY 2017-2018 Carryover Disbursement</b>	<b>\$349,645.00</b>	<b>Spenddown Timeline</b>
<b>Special Assessment Project</b>		
Cleaning, Maintenance, and Safety Program	\$204,518.00	3-6 months
Marketing, Streetscape Improvements, and Beautification	\$37,949.00	3-6 months
Management and Operations	\$95,135.00	3-6 months
Contingency and Reserve	\$12,043.00	3-6 months
<b>Total Designated amount for Future Years</b>	<b>\$349, 645.00</b>	

**Findings and Recommendations**

LPCBD has met all benchmarks as defined on page 4 of this memo.



In winter 2017, the CBD temporarily lost its 501(c)3 designation from the Federal government. Upon OEWD review this was determined to be no fault of the CBD, rather their former accountant who did not understand the organization operates on a fiscal year budget rather than calendar year. LPCBD changed accountants and received a reinstatement later in spring 2018 the organization received a reinstatement letter from the IRS which OEWD has seen proof of.

Lower Polk CBD continues to partner well with the broader Polk Street community through the use of both non-assessment and special assessment dollars. The CBD, through OEWD funding, was able to implement the Lower Polk/Tenderloin Art Walk series and Hemlock Mural Project. Additionally, the CBD responded to community needs by providing PitStop restroom services in front of Sgt. John MaCaulay Park and an innovative tenant landlord clinic to help prevent homelessness before it occurs.

The CBD also procured, on an as needed basis, professional services such as arts program consulting, website development and technical support, homeless outreach consulting, accounting, grant writing assistance and legal services.

### **Conclusion**

LPCBD has performed well in implementing its service plan. LPCBD continues to successfully sponsor and implement events and programs in the district. LPCBD is a well-run organization with active board and committee members and will continue to successfully carryout its mission as a community benefit district.

